



June 14, 1999

To: Detroit Diesel U.S. Authorized Dealers and Distributors,  
Detroit Diesel Remanufacturing Centers

Attn: Dealers/Distributors Principles,  
Remanufacturing Center Principles

Re: Letter of Notification of the Low NOx Rebuild Program

As you are aware, DDC is obligated to design and distribute Low NOx Rebuild Kits as part of a settlement between DDC and the United States Environmental Protection Agency. The intent of this letter is to communicate to DDC distributors and authorized dealers, as well as remanufacturing facilities, the requirements of the Low NOx Rebuild Program. Accompanying this letter is a copy of the written notification that will be sent by the USEPA to all Heavy Duty Engine Rebuilders.

#### Low NOx Rebuild Program

DDC is obligated to design, develop and distribute Low NOx Rebuild Kits for the purpose of reducing steady-state gaseous NOx emissions on electronically controlled engines manufactured between model years 1993/1994 through 1998. Parties completing such rebuilds are responsible for properly fulfilling the program requirements. Low NOx Rebuild Kits will reduce gaseous NOx pollutants during steady-state or "cruise" mode operation. DDC's planned Low NOx Rebuild Kits will require ECM reprogramming only and cover engines built between 1994 and 1998. Certain low volume configurations will be excluded from this population.

An engine qualifying for a Low NOx Rebuild meets the following conditions. First, the engine must be in our defined list of engine models and ratings. (Reference preliminary list attached.) During engine repair activities, the cylinder kits or a major cylinder kit component must be replaced in more than half of the engine cylinders. In the case of the Series 60, this equates to repair or replacement of four or more cylinder kits or cylinder kit components in four or more cylinder locations. A major cylinder kit component is any of the following: piston, skirt, piston rings, liner, wrist pin or connecting rod. The total cumulative mileage of the vehicle must be greater than 290,000 miles. In the event that the vehicle mileage is less than 290,000 miles, the engine qualifies for a Low NOx Rebuild only if all cylinder kits or a major component in all cylinder locations is repaired or replaced during one or more repair activities.

Repair activities are cumulative and the requirements of the Low NOx Rebuild Program cannot be avoided by repairing fewer than half the engine cylinders during a series of repair activities.

The modified engine calibrations are to be phased in over a one-year period. Thus, there will be occasions where an engine qualifies for a Low NOx Rebuild, but the certified ECM calibration is not available. In these instances, the rebuilder is not obligated to fulfill the Low NOx Rebuild requirements. DDC will publish a monthly update of ratings that are certified and available in the Low NOx configuration.

#### Program Implementation

The Low NOx Rebuild Program implementation dates are tied to judicial approval of the settlement agreement between DDC and USEPA. At the time of this writing, the approval date is expected to be June 30<sup>th</sup>, 1999. The timeline of the Low NOx Rebuild Program is divided into three distinct phases. Phase I requires that the initial Low NOx Rebuild Kit be made available for distribution 180 days after the approval date, this is now anticipated to be 12/31/99. Phase II requires that 50% of all Low NOx Rebuild Kits be made available for distribution 90 days after Phase I, anticipated as 3/31/2000. Phase III requires that all kits are available for distribution 360 days after Phase I is completed, or 12/31/2000. To summarize, the anticipated implementation dates are:

Phase I	First Kit Available	December 31, 1999
Phase II	50% Kit Availability	March 31, 2000
Phase III	100% Kit Availability	December 31, 2000

As soon as firm dates are established a notification will be sent to you.

#### Kit Definition

Again, DDC plans to execute the Low NOx Rebuild Program via ECM reprogramming only, and anticipates developing Low NOx Kits for Series 60 engines built from 1994 through 1998. While it is unlikely, a Low NOx Rebuild Kit may contain unique hardware, beyond that required for a "typical" overhaul. Both ECM reprogramming and unique hardware would be available to the end user at no charge.

The Low NOx Kits will be phased in over time. Prior to the release of the Low NOx Kits, both the USEPA and DDC's dealers and distributors will be alerted to the kit contents and availability. DDC expects to utilize a voucher system to ensure that reprogramming occurs at the time of engine repair. The paper voucher, identified with a part number, will entitle the end user to a free reprogramming. Also, DDC assembly kits and individual components typically used in overhaul repairs will include modified installation instructions, which will inform the rebuilder of the Low NOx Rebuild Program requirements. In addition to the paper voucher and installation instructions, the kit will also contain a modified calibration, though the calibration will be housed on the DDC mainframe computer system. If unique hardware were required, these components

would be contained within the Low NOx Kit. A label to be placed on the rocker cover, identifying the engine as a Low NOx Rebuild is also included in the kit.

Since the Low NOx Rebuild Program is expected to take on the form of an ECM reprogramming only, new engine calibration groups will be released for each engine rating identified in the 1994 through 1998 model years. A listing will be provided to all dealers and distributors identifying "old" v. "new" engine calibrations as a function of engine model. This listing will be periodically updated as new engine ratings are released to the Low NOx Rebuild Program.

#### Affiliate Obligations

The responsibility to properly perform an engine overhaul which qualifies as a Low NOx Rebuild is that of the rebuilder. In the case of DDC, this includes all affiliated dealers, distributors and remanufacturing facilities. As noted in the accompanying EPA Letter of Notification, failure to accurately comply with the Low NOx Rebuild Program may constitute tampering under the Clean Air Act. Low NOx Rebuild Kits must be provided to the end users at no added cost from the cost of a typical DDC overhaul. This includes the cost and labor of ECM reprogramming, and cost of labor and installation of components above and beyond the contents of a "normal" DDC overhaul. In the event that a customer requests an engine calibration upgrade at the time of their engine rebuild, the applicable upgrade charge is permissible.

DDC current overhaul kits are identified under unique classifications. The "Basic" Overhaul Kit includes the lower engine bearings, gasket kit, camshaft bearings, thermostats, engine overhaul gasket kit, and complete engine set of Reliabilt cylinder kits. The "Super" Overhaul Kit contains the "Basic" overhaul kit, plus Reliabilt rocker arms, Reliabilt cylinder head assembly, oil pressure regulator valve, oil pressure relief valve and elbow assembly. Cylinder kit assemblies, which can be purchased separately, include a Reliabilt piston assembly, Reliabilt skirt, piston pin, piston pin bushings, piston rings, liner and liner seals.

In cases where engines are overhauled by independent rebuilders, DDC dealers and distributors are obligated to provide ECM reprogramming of these engines at no cost, including the labor time associated with a re-program. The voucher will entitle the rebuilder to free reprogramming, which typically constitutes 30 minutes of programming time. (Also, any unique hardware, if required, must be provided to the independent rebuilder free of charge, including the installation labor of that component.) Authorized DDC distributors and dealers will be reimbursed for the standard reprogramming time. Claims for this time will be accepted by DDC via an application for adjustment (AFA) with a validated voucher.

DDC dealers and distributors are not responsible for engines rebuilt by non-affiliates or independent rebuilders. In addition, Detroit Diesel Corporation and its affiliates are not responsible for engine rebuilds conducted with non-genuine components. Your responsibility is to provide ECM re-programming and/or unique hardware upon request, free of charge.

All engines rebuilt to a Low NOx configuration must receive a label, which identifies the engine as a Low NOx Rebuilt engine. DDC will design and include these labels in its Low NOx Kits, along with instructions for properly affixing the label. Labels must be placed on all Low NOx Rebuilt engines, including engines rebuilt by non-affiliates who visit dealers or distributors requesting a Low NOx ECM reprogramming. The Low NOx Rebuild labels will contain blank spaces to identify the party that performed the Low NOx Rebuild and the date on which the rebuild occurred.

A voucher system will be utilized to coordinate the Low NOx Rebuild Program. This voucher will entitle the end-user to an ECM reprogramming at no charge and include instructions as to how one can obtain a Low NOx ECM reprogramming. This voucher is redeemable at any DDC dealer or distributor, entitling engine rebuilders, both DDC affiliates and non-affiliates, to a free ECM reprogram.

Installation instructions for any cylinder kit component, kit assembly or overhaul kit will include a message regarding the requirements of the Low NOx Rebuild Program. This message will include instructions and statement of obligation of the engine rebuilder.

As mentioned above, DDC will provide its affiliates with an "old" v. "new" engine calibration listing. This listing will identify which engine ratings have been certified to a Low NOx configuration and are available for reprogramming. It should be noted that once an engine calibration has been modified to meet the Low NOx Rebuild requirements, only that modified calibration will be available to those who qualify for a Low NOx Rebuild. For those who do not qualify for a Low NOx Rebuild, the original calibrations will remain available. If a customer qualifies for a Low NOx Rebuild and subsequently requests an engine rating upgrade, the customer must pay for the calibration upgrade.

#### Remanufacturing Business

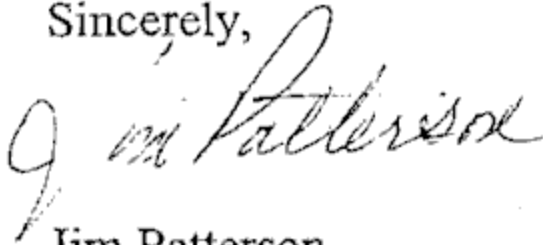
As part of the DDC parts and service distribution system, remanufactured engines, both complete engines and three-quarter remanufactured engines, must comply with the Low NOx Rebuild Program. Complete engines will receive certified Low NOx calibrations upon remanufacture. Unique hardware, if required, will be included in the assembly of a complete remanufactured engine. The complete engine will be labeled accordingly, identifying the engine as a Low NOx Rebuilt Engine.

Three-quarter remanufactured engines supplied to dealers, distributors or non-affiliated engine rebuilders for engine repair or replacement occurrences will include a Low NOx Rebuild Kit, provided the requested three-quarter engine configuration qualifies under the Low NOx Rebuild Program. The engine would include the reprogram voucher, written instructions and engine label. Again, all non-affiliated engine rebuilders will be entitled to a free ECM reprogramming upon request at any authorized DDC dealer or distributor. If unique hardware is required to meet the Low NOx Rebuild requirements, the three-quarter remanufactured engine will include such hardware, if sold in the standard bill of material. Unique hardware not part of a typical three-quarter remanufactured engine will be available from DDC dealers or distributors at no charge to the end user.

To reiterate, if the "modified" engine ECM calibration is not available at the time of engine rebuild, the end user is not obligated to rebuild or replace the engine pursuant to the Low NOx Rebuild requirements.

As the Low NOx Rebuild Program unfolds, DDC will continually update the program's progress and implementation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jim Patterson".

Jim Patterson

Manager, Low NOx Rebuild Program  
Detroit Diesel Corporation